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206

Current Support Brief

CONSTRUCTION TO BEGIN
UNDER CHINESE COMMUNIST CREDIT TO BURMA



CIA/RR CB 64-21

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CENTRAL INTELLIGENCE AGENCY

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CONSTRUCTION TO BEGIN
UNDER CHINESE COMMUNIST CREDIT TO BURMA

Discussions underway since September 1961 on the implementation of Chinese Communist economic aid projects in Burma reportedly have made the start of construction activities at three project sites imminent and have led to plans to proceed with two other projects. Final plans for two bridges, one or two sugar mills, and a paper mill -- which probably will cost a total of from \$14 million to \$18 million* -- apparently have been agreed on by Chinese and Burmese officials concerned with programing assistance under the \$84 million Chinese credit of January 1961. Until now, activity under the credit has included drawings liberally estimated at \$4.5 million, almost all of which has been absorbed by project surveys, technical assistance projects, and feasibility studies. Although the present Chinese initiative represents a change in the lengthy aid negotiations with the Burmese, the total value of about \$18 million to \$22 million of aid thus far specifically allocated is still far short of the \$84 million originally extended in 1961.

Domestic political and military problems in Burma may pose obstacles to construction activities under the credit. Although Chinese presence at the sites proposed for the paper and sugar mills would present no immediate security difficulties for the government of Burma, the bridges are to be located at points that are accessible from central Burma only through areas of insurgent activity in Shan State. Thus in spite of the fact that Chinese materiel and technicians for one of the bridges have already arrived, Burmese reluctance to expose Chinese Communists to involvement in domestic insurgency may inhibit the start of the frontier construction projects.

1. Background of the Chinese Communist Credit to Burma

The \$84 million credit extended to Burma by Communist China in January 1961 was to be implemented between 1 October 1961 and 30 September 1967. 1/ Negotiations on the types of projects to be undertaken began in mid-September 1961, and selection and surveying of sites for the construction projects were underway by the end of March 1962. 2/ By mid-1963, in addition to having reached preliminary agreement to undertake 13 construction projects, the Chinese had engaged in numerous

* Dollar values are given in current US dollars throughout this publication.

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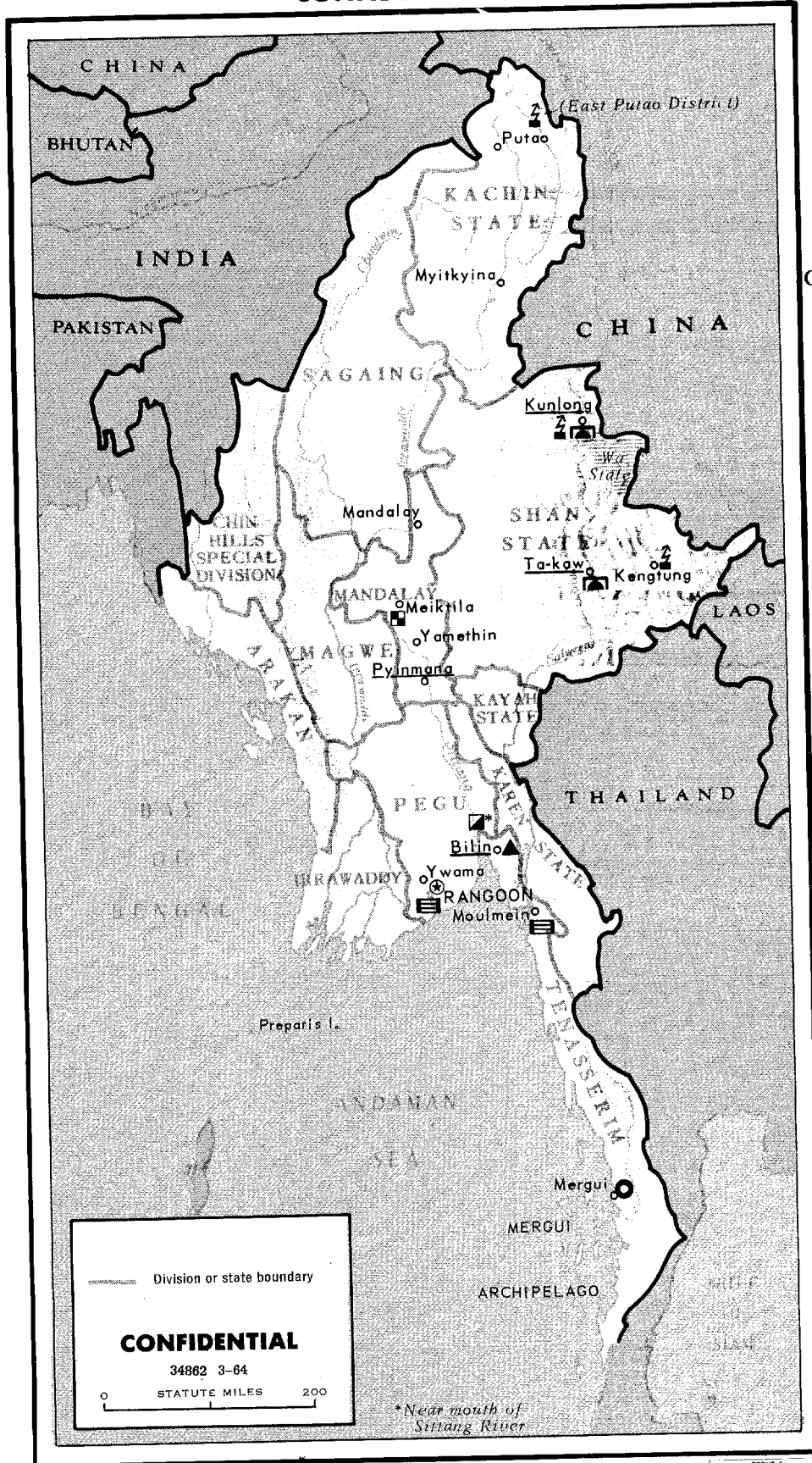
site surveys and a miscellany of technical assistance projects and feasibility studies under the credit. 3/ (For locations of Chinese aid projects in Burma, see the map, Figure 1.) The most liberal statement of drawings valued the Chinese aid delivered up to late 1963 at a cumulative total of \$4.5 million. 4/

2. Chinese Communist Construction Projects in Burma

After involved negotiations and a steady flow of Chinese surveyors, some progress was apparent early in November 1963, when the government of Burma approved the complete Chinese project plans for a bridge over the Salween River at Kunlong. 5/ Since that time, there have been indications that construction might begin early in 1964 on the bridge at Kunlong, on a paper mill near the mouth of the Sittang River, and on a sugar mill at Bilin. 6/ In addition, the Burmese reportedly have given final approval to Chinese plans for another Salween bridge at Ta-kaw and another sugar mill at Pyinmana, although the ultimate conditions of construction of the Pyinmana mill are currently obscured by a Burmese call for international bidding on the project. 7/ The total Chinese cost of construction of the projects scheduled to begin early in 1964 is about \$12.4 million, and the cost of the Ta-kaw bridge probably will raise this amount to \$13.6 million. Although the mechanics of the proposals on the Pyinmana sugar mill raise doubts both as to its inclusion under the \$84 million credit and also as to the imminence of its construction, the estimated cost of \$4.2 million appears to be fairly firm. Thus if the mill is undertaken within the 1961 credit, the total Chinese commitment to construction projects in Burma will be about \$18 million.

The first of the projects scheduled for construction was the Kunlong bridge. The project plans envisage a suspension bridge 750 feet long that will require 600 tons of steel, 2,000 tons of cement, and an unspecified amount of timber.* The Burmese are to supply the cement, the timber, and 600 unskilled laborers, and the Chinese are to provide the steel and other materials, technical advice, and 55 skilled laborers. 8/ Thus far it is not clear which of the two governments will supply the necessary construction equipment. The bridge is expected to cost \$1.2 million (or more) and to require about 18 months to complete. 9/ Construction originally scheduled to begin in November 1963 has been postponed month by month. 10/ The most recent reports suggest that work was to begin

* For a model of the bridge, see the photograph, Figure 2, p. 3, below.



BURMA

Projects Under
\$84 Million
 Chinese Communist
 Credit

PROPOSED CONSTRUCTION PROJECTS

- Hydroelectric plant
 - Plywood factory
 - Sugar refinery
 - Bridge
 - Tire factory
 - Yarn and textile mill
 - Pulp and paper mill
 - Steel mill expansion
 (Ywama, Insein District)
 - Diesel engine and
 pump factory
 (Unlocated)
 - Road
 (Unlocated)
- (Black symbols and underlining
 indicate agreed projects and sites.)

TECHNICAL ASSISTANCE (currently under way)

- (Primarily
 in frontier
 areas of
 Kachin and
 Shan States)
- Improvement of
 sericulture
 - Animal husbandry
 - Fruit plantations
 - Tea plantations
 - Irrigation
 (Yamethin District)
 - Supply of fruit tree seedlings
 (Putao Frontier District)
 - Training of Burmese tech-
 nicians in China

FEASIBILITY STUDIES (currently under way)

- Cement production in
 Kayah and Kachin States
- Pottery industry in
 Chin Hills Special Division
- Leather tanning and shoe industry in
 Shan State
- Canning industry in
 Shan State and Chin Hills
- Fruit essence plant in
 Rangoon

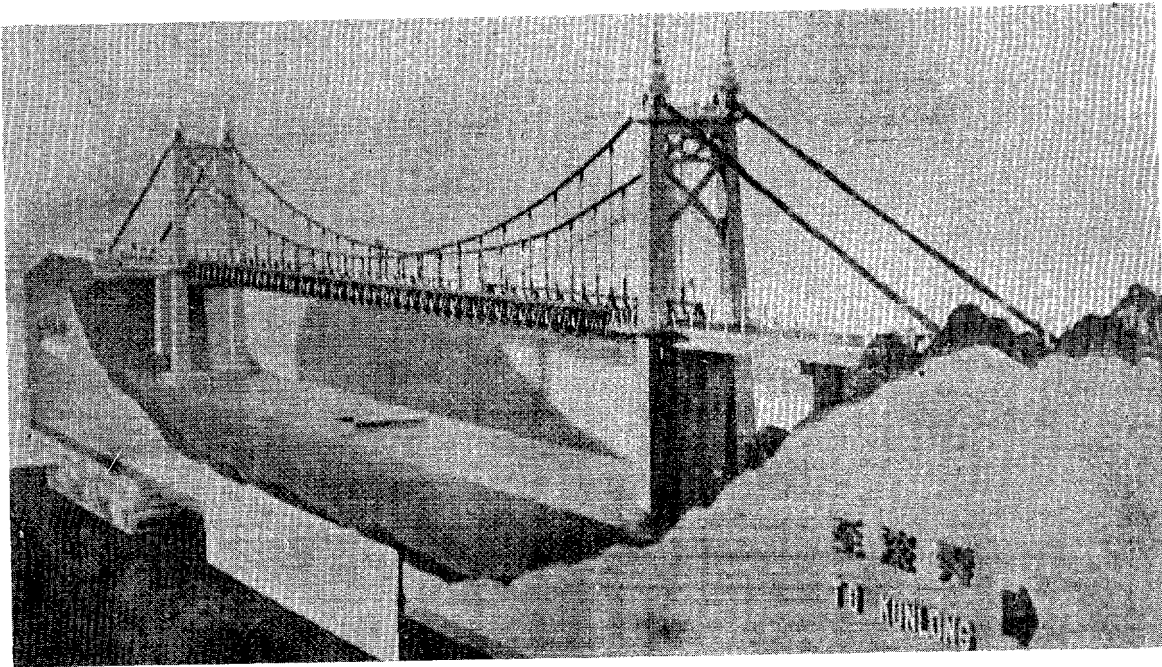


Figure 2. Model of the Proposed Salween River Bridge at Kunlong

in March and that Chinese technicians and materiel, including significant quantities of steel, are at present "standing by" in Burma. ^{11/} Nevertheless, insurgent activities in Shan State, which might hamper the shipping of equipment and endanger the lives of Chinese technicians, undoubtedly will continue to cause Burmese caution in carrying out the project. The bridge, if completed, would help to improve access from central Burma to a remote area of the Burmese frontier and would provide useful engineering experience for a similar bridge at Ta-kaw.

In December 1963 the Burmese newspaper The Guardian carried a lengthy article on the pulp-and-paper mill proposed under the Chinese credit and indicated that it would "soon come up" at a point near the mouth of the Sittang River. ^{12/} This project had occasioned surveying at a number of sites on the Sittang between the end of March 1962 and the middle of September 1963. ^{13/} The mill, which is to have a daily capacity of 40 tons of paper for a wide variety of uses, would require a total of about \$8.4 million to cover machinery and construction costs. ^{14/} Bamboo, the principal raw material input, is present in ample supply*

* Burma has the largest untapped stands of bamboo in the Far East. It has been estimated that the 9 million hectares of bamboo forest could yield 45 million tons of air-dry bamboo per year. ^{15/}

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and apparently can be processed into writing and printing papers that would be of acceptable quality and would cost Burma less per ton than those currently imported. Burmese imports of paper other than news-print are currently equal to or greater than the projected annual production of the Sittang paper mill, which would be the first erected in Burma. 16/

Early in February an article in The Nation, a Rangoon newspaper, reported on two new sugar mills to be built in Burma under the Chinese credit. 17/ The larger of the two would be located at Pyinmana, would have a daily cane-crushing capacity of 1,500 tons, and would cost about \$4.2 million. A rough comparison with the cost quoted for the proposed Pyinmana mill indicates that the smaller mill at Bilin, which would have a daily capacity of 1,000 tons of cane, would cost about \$2.8 million. The suggestion by The Nation that construction of the Pyinmana project will be open for international bidding casts doubt on the reported financial arrangement for that project because there is little likelihood that Communist China will assume the passive role of financier under a line of credit that offers it the opportunity of active participation in Burmese economic development and reasonably free movement within Burma for project technicians. Significantly, a later article appearing in The Working People's Daily, the principal government-sponsored newspaper, mentions both sugar mills but relates only the one at Bilin to the \$84 million credit. 18/ Output of the new mills would run about 20,000 tons of sugar per year and could be completely absorbed by domestic demand. Of the two, the Bilin mill, reportedly scheduled to begin in March, appears to be the more imminent project under the Chinese credit. Because recent insurgent activities in Kachin State have resulted in a sharp decline in production at one of Burma's three existing sugar mills, it is likely that the Bilin project will be strongly encouraged by the government of Burma. 19/

3. Progress Under the Credit

A principal characteristic of the Chinese credit has been a Burmese level of expectation that far outstripped Chinese performance. Burmese budgets for the fiscal years 1962, 1963, and 1964* estimated that deliveries under the Chinese credit would amount to \$7.4 million for the first year and \$16.8 million for each of the later years. 20/ Actual drawings amounted to about \$200,000 for fiscal year 1962 and about

* The fiscal year in Burma runs from 1 October to 30 September.

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\$4.2 million for fiscal year 1963. Because the agreed on projects for which construction might begin in 1964 account for only about \$12.4 million and probably would require more than a year each to complete, drawings for the current fiscal year probably will not come close to the budget estimate.

The significance of the Chinese credit to Burma's development program has been difficult to assess thus far because the volume of Chinese deliveries has been so small. The Burmese press has mentioned the credit as a major element in developmental capital, and the repeated exaggerations in the budget suggest sustained official interest in the Chinese aid. 21/ Both the paper mill and the sugar mill projects have been significant factors in past developmental plans and have been recommended by Western economic and engineering consultants to the Burmese government. 22/ It is likely that these projects, further favored by the comparative absence of local insurgency threats, will receive a more positive Burmese response than will those in the frontier areas. Progress on any of the projects, however, will be significantly influenced by domestic Burmese political and military factors.

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